

***EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.***

***Destrehan, Louisiana***

***General Purpose Financial Statements and  
Independent Auditor's Report  
As of and for the Year Ended December 31, 2002  
With Supplemental Information Schedules***



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**EAST SIDE ST. CHARLES PARISH VOLUNTEER FIRE DEPARTMENT, INC.**

**Destrehan, Louisiana**

**December 31, 2002**

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## **INDEPENDENT AUDITOR'S REPORT**

### **Board of Directors**

**East Side St. Charles Parish Volunteer Fire Department, Inc.**

**Destrehan, Louisiana**

We have audited the accompanying general purpose financial statements of the East Side St. Charles Parish Volunteer Fire Department, Inc. as of and for the year ended December 31, 2002, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the East Side St. Charles Parish Volunteer Fire Department, Inc. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and generally accepted governmental auditing standards contained in the Government Auditing Standards - Standards for Audit of Governmental Organizations, Programs, Activities, and Functions, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the East Side St. Charles Parish Volunteer Fire Department, Inc. as of December 31, 2002, and the results of operations for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards generally accepted in the United States of America, we have also issued a report dated May 6, 2003, on our consideration of the East Side St. Charles Parish Volunteer Fire Department, Inc.'s internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts, and grants.

A handwritten signature in blue ink, appearing to read "T.S. Kearns &amp; Co.", written over a horizontal line.

May 6, 2003

**COMBINED BALANCE SHEET-**  
**GENERAL FUND AND ACCOUNT GROUP**

**East Side St. Charles Parish  
Volunteer Fire Department, Inc.**

**December 31, 2002**

	<u>Governmental Fund Type</u>	<u>Account Group</u>	
	<u>General Fund</u>	<u>General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
<b>Assets</b>			
Cash	\$ 337,888	\$ -	\$ 337,888
Due from St. Charles Parish Council	26,297	-	26,297
Due from other	4,563	-	4,563
Prepaid insurance	19,091	-	19,091
Fixed assets		2,952,570	2,952,570
	<u>387,839</u>	<u>2,952,570</u>	<u>3,340,409</u>
Total Assets	<u>\$ 387,839</u>	<u>\$ 2,952,570</u>	<u>\$ 3,340,409</u>
<b>Liabilities</b>			
Accounts payable and accrued expenditures	\$ 3,340	\$ -	\$ 3,340
Total liabilities	<u>\$ 3,340</u>	<u>\$ -</u>	<u>\$ 3,340</u>
<b>Fund equity and other credits</b>			
Investment in general fixed assets	\$ -	\$ 2,952,570	\$ 2,952,570
Fund balance:			
Reserved for prepaid insurance	19,091	-	19,091
Unreserved	365,408	-	365,408
	<u>384,499</u>	<u>2,952,570</u>	<u>3,337,069</u>
Total fund equity and other credits	<u>\$ 384,499</u>	<u>\$ 2,952,570</u>	<u>\$ 3,337,069</u>
Total liabilities, fund equity and other credits	<u>\$ 387,839</u>	<u>\$ 2,952,570</u>	<u>\$ 3,340,409</u>

See notes to financial statements.

**STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE - GENERAL FUND**

**East Side St. Charles Parish  
Volunteer Fire Department, Inc.**

For the year ended December 31, 2002

**Revenues**

Taxes:

Sales

\$ 198,226

Ad valorem

109,194

Fire insurance rebate

15,492

Miscellaneous:

Interest earned

4,410

Other

1,849

Total revenues

329,171

**Expenditures**

Public safety:

Other services and charges

70,965

Materials and supplies

27,591

Repairs and maintenance

24,583

Capital outlay

157,258

Total expenditures - public safety

280,396

**Excess of revenues over expenditures**

48,775

**Fund balance**

Beginning of year

335,724

End of year

\$ 384,499

See notes to financial statements.

## **NOTES TO FINANCIAL STATEMENTS**

### **East Side St. Charles Parish Volunteer Fire Department, Inc.**

December 31, 2002

#### **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting and reporting policies of East Side St. Charles Parish Volunteer Fire Department, Inc. (the Department) conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies:

##### **a. Reporting Entity**

The Department is organized as a nonprofit quasi-governmental corporation to provide fire protection to the Parish of St. Charles.

The Department has reviewed all of its activities and determined that there are no potential component units which should be included in the financial statements.

##### **b. Fund Accounting**

The Department uses funds to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources.

## **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **b. Fund Accounting (Continued)**

#### **Governmental Funds**

Governmental Funds are those through which the governmental functions of the Department are financed. The acquisition, use, and balances of the Department's expendable financial resources and the related liabilities are accounted for through Governmental Funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is the Governmental Fund of the Department:

**General Fund** - The General Fund is the general operating fund of the Department. It is used to account for all financial resources.

**Account Group** - The account group is used to establish accounting and control and accountability. The Department's Account Group is as follows:

**Fixed Assets Account Group** - This account group is used to account for fixed assets not accounted for in proprietary or trust funds.

### **c. Basis of Accounting**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The General Fund is accounted for using the modified accrual basis of accounting. Revenues are recognized when they become measurable and available. Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. Ad valorem taxes are recognized as revenue in the year received from the Parish Government.

## **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **c. Basis of Accounting (Continued)**

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for notes payable principal and interest which are reported as expenditures in the year due.

### **d. Uses of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. As a result, actual results could differ from those estimates.

### **e. Accounts Receivable**

The financial statements of the Department contain no allowance for bad debts. Uncollectible receivables are recognized as bad debts at the time information becomes available, which would indicate the uncollectibility of the particular receivable. These amounts are not considered to be material in relation to the financial position or operation of the General Fund.

### **f. Fixed Assets**

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Asset Account Group, rather than in governmental funds. The Account Group is not a fund. It is concerned only with the measurement of financial position.

It is not involved with the measurement of results of operations. Public domain (“infrastructure”) general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are not capitalized along with other general fixed assets. No depreciation has been provided on general fixed assets.

All fixed assets are valued at historical cost or estimated historical cost.



## **Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

### **g. Tax Status**

The Department maintains that it qualifies under Section 501(c)(4) of the Internal Revenue Code and is, therefore, not subject to tax under present income tax laws.

### **h. Memorandum Only - Total Column**

The total column on the financial statements are captioned “Memorandum Only” to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position or results of operations in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

## **Note 2 - DEPOSITS**

Louisiana state law allows all political subdivisions to invest excess funds in obligations of the United States, certificates of deposit of state or national banks having their principal office in Louisiana or any other federally insured investment.

State law requires deposits (cash and certificates of deposit) of all political subdivisions to be fully collateralized at all times. Acceptable collateralization includes FDIC insurance and the market value of securities purchased and pledged to the political subdivision. Obligations of the United States, the State of Louisiana, and certain political subdivisions are allowed as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision.

Cash and deposits are categorized into three categories of credit risk.

Category 1 includes deposits covered by federal depository insurance or by collateral held by the Department or its agent in the Department’s name.

Category 2 includes deposits covered by collateral held by the pledging financial institution’s trust department or its agent in the Department’s name.

## Note 2 - DEPOSITS (Continued)

Category 3 includes deposits covered by collateral held by the pledging financial institution or its trust department or agent but not in the Department's name and deposits which are uninsured or uncollateralized.

The year-end bank balances of deposits and the carrying amount as shown on the combined balance sheet are as follows:

	Bank Balances			Book Balance
	Category			
	1	2	3	
Cash	\$ 140,039	\$ 197,674	\$ -	\$ 337,713

At December 31, 2002, cash in excess of the FDIC insurance were collateralized by securities held by unaffiliated banks for the account of the Department. The Governmental Accounting Standards Board (GASB), which promulgates the standards for accounting and financial reporting for state and local governments, considers these securities uncollateralized. Even though the pledged securities are considered uncollateralized under the provisions of GASB Statement 3, Louisiana Revised Statute 39:1229 imposes a statutory requirement on the custodial bank to advertise and sell the pledged securities within 10 days of being notified by the depositor that the fiscal agent has failed to pay deposited funds upon demand.

## Note 3 - FIXED ASSETS

A summary of changes in fixed assets follows:

	Balance	Additions	Disposals	Balance
	December 31, 2001			December 31, 2002
Land	\$ 10,220	\$ -	\$ -	\$ 10,220
Buildings	597,718	46,375	-	644,093
Vehicles	1,659,365	-	-	1,659,365
Equipment	527,816	112,054	979	638,892
	<u>\$ 2,795,119</u>	<u>\$ 158,429</u>	<u>\$ 979</u>	<u>\$ 2,952,570</u>

#### **Note 4 - FIRE PROTECTION CONTRACT**

According to a contract entered into by the St. Charles Parish Fireman's Association, Inc. and the St. Charles Parish Council, the volunteer fire department will provide fire protection to the residents of St. Charles Parish. In exchange for the fire protection provided to the Parish, the Department receives a percentage of the one-eighth cent sales tax. The Department receives a monthly base amount of \$2,500 plus 23.57% of the remaining funds. The total revenue under this agreement for the year ended December 31, 2002 was \$198,226.

In 1990 the voters of St. Charles Parish approved a property tax millage of 1.5 mills for the purpose of fire protection. The St. Charles Parish Council remits one-ninth of the total property taxes to the Department. The total property tax for the year ended December 31, 2002 was \$109,194.

#### **Note 5 - COMPENSATION OF BOARD MEMBERS**

No compensation was paid to Board Members for the year ended December 31, 2002.

#### **Note 6 - RISK MANAGEMENT**

The Department is exposed to various risks of loss related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to volunteers; and natural disasters. The Department has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the year that exceeded the Department's insurance coverage.

#### **Note 7 - LEASE COMMITMENTS**

The Department has entered into two operating leases with St. Charles Parish at no cost to the Department as follows:

<u>Location</u>	<u>Term</u>
Parcel T-1A of Ormond Country Club	Twenty years commencing November 5, 2002
Fire Station, 13902 River Road, Destrehan including all improvements	Expires September 1, 2015

## **SUPPLEMENTAL INFORMATION SCHEDULES**

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

**Summary of Schedule of Prior Audit Findings  
As of and for the Year Ended December 31, 2002**

**Ref. No.**

There were no findings in the prior year.

**Fiscal Year Finding Initially Occurred**

None

**Description of Finding**

There were no findings in the prior year.

**Corrective Action Taken (Yes, No, Partially)**

There were no findings in the prior year.

**Planned Corrective Action/Partial Corrective Action Taken**

There were no findings in the prior year.

**Additional Explanation**

**EAST SIDE ST. CHARLES PARISH  
VOLUNTEER FIRE DEPARTMENT, INC.**

**Summary of Schedule of Current Year Audit Findings  
As of and for the Year Ended December 31, 2002**

**Ref. No.**

0212-01

**Description of Finding**

Internal Control Material Weakness. As a material weakness (and reportable condition), the size of the East Side St. Charles Parish Volunteer Fire Department, Inc.'s operations and its limited staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost beneficial.

**Corrective Action Planned**

No corrective action plan is taken because of the size of the entity.

**Name of Contact Person**

Charles Camp, Treasurer

**Anticipated Completion Date**

None

**Additional Explanation**

This is a common reportable condition noted in audits of small entities. The Fire Department's office does not employ enough people in its accounting department to adequately segregate duties.

The reportable condition cannot be remedied in a cost effective manner.

**OTHER REPORTS REQUIRED BY**  
**GOVERNMENTAL AUDITING STANDARDS**



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

**Board of Directors**

**East Side St. Charles Parish Volunteer Fire Department, Inc.**

We have audited the general purpose financial statements of the East Side St. Charles Parish Volunteer Fire Department, Inc. as of and for the year ended December 31, 2002, and have issued our report thereon dated May 6, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the East Side St. Charles Parish Volunteer Fire Department, Inc.'s general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

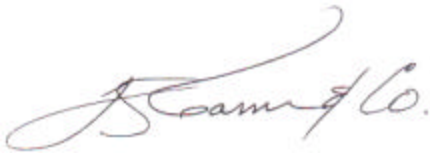
Internal Control Over Financial Reporting

In planning and performing our audit, we considered the East Side St. Charles Parish Volunteer Fire Department, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a single matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgement, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements. The reportable condition is described in the accompanying corrective action plan for the current year audit findings as item 0212-01 on page 12.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. We believe the reportable condition described above is a material weakness.

This report is intended for the information of management. However, this report is a matter of public record, and its distribution is not limited.

A handwritten signature in blue ink, appearing to read "T. S. Kearns & Co.", is positioned above the date.

May 6, 2003